

Message Text

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PAGE 01 STATE 188954
ORIGIN XMB-04

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XMB

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XMB: C NORRIS
AF/E:RWBAKER
-----087212 111358Z /46
R 102040Z AUG 77
FM SECSTATE WASHDC
TO AMEMBASSY NAIROBI

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E.O. 11652: N/A

TAGS: EGEN, KE

SUBJECT: KENYA FIBRE POLYESTER PROJECT

1. AS EMBASSY AWARE, KENYA FIBRE CORP. (KFC) APPLICATION TO EXIMBANK FOR FINANCING DOLS. 17.0 MILLION OF U.S. COSTS FOR POLYESTER FIBER PLANT DENIED APRIL 7, 1977. REASONS INCLUDED DEBT-HEAVY CAPITAL STRUCTURE, WEAKNESS IN MAN-MADE FIBER MARKETS, AND APPARENT HEAVY TARIFF PROTECTION REQUIRED BY THIS SMALL SCALE PROJECT. SINCE EXIMBANK DENIAL, CHEMTEX, PROJECT'S U.S. SPONSOR, AND MADHVANI GROUP IN KENYA HAVE PRESSED FOR RECONSIDERATION.

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2. TO COUNTER EXIMBANK OBJECTION ON CAPITAL STRUCTURE CHEMTEX OFFERED BY LETTER OF JULY 27, 1977, TO RAISE DOLS. 4.5 MILLION IN DEBT SUBORDINATED TO ANY EXIMBANK CREDIT. EXIMBANK REPLY OF AUGUST 9, 1977, INDICATES CHEMTEX OFFER HELPFUL; HOWEVER, CERTAIN PROJECT-RELATED PROBLEMS, SOME OF WHICH NOTED ABOVE, REMAIN. COPIES THIS CORRESPONDENCE BEING POUCHED TO EMBASSY FOR AMBASSADOR'S ATTENTION.

3. EXIMBANK'S LETTER CONCLUDES RECONSIDERATION OF DENIAL POSSIBLE IF BORROWER WILL BE GOK RATHER THAN KFC WITH GOK GUARANTEE. DIRECT GOK OBLIGATION FOR EXIMBANK/

COMMERCIAL BANK FINANCING TO SUPPORT U.S. COSTS WOULD REDUCE NECESSITY TO RELY PRIMARILY ON PROJECT CASH FLOW FOR REPAYMENT. CASH FLOW COULD BE INSUFFICIENT FOR DEBT SERVICE, AND, IN ANY EVENT, WOULD BE DIRECTLY CONTROLLED BY GOK THROUGH PRICE CEILINGS AND EXTENT OF TARIFF PROTECTION. EXIMBANK ORIGINALLY MADE THIS REQUEST INFORMALLY THROUGH CHEMTEX IN LATE 1976 AND RECEIVED REPLY FROM COMPANY THAT GOK NOT PREPARED TO ACT AS BORROWER FOR REASONS NOT SPECIFIED. GIVEN CONTINUED HIGH-LEVEL GOK STATEMENTS OF SUPPORT FOR PROJECT, DENIAL OF KFC APPLICATION IN APRIL, AND SIGNIFICANT GOK INFLUENCES ON PROJECT CASH FLOW, EXIMBANK HOPES GOK CAN MODIFY ITS PREVIOUS POSITION.

4. EXIMBANK WOULD APPRECIATE EMBASSY PRESENTATION THIS REQUEST TO GOK AND SOLICITATION ITS APPLICATION FOR FINANCING PROJECT'S U.S. COSTS. CHRISTOPHER

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Message Attributes

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Copy: SINGLE
Sent Date: 10-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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